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rapid-american corporation

1972 annual report

rapid-american corporation

REALIZATION OF A CONCEPT

Rapid-American's stated objective has been to create a major consumer-oriented company through an organization of autonomous operations, emphasizing packaged products and retailing.

Today, this goal has been achieved. Rapid-American is a business of vast size and excellent product lines, dedicated to constantly improving profitability. Its components include:

- Schenley Industries—distilled whiskey and spirits
- International Playtex—bras, girdles, tampons and family products
- B.V.D.—men's underwear, apparel and furnishings
- Joseph H. Cohen & Sons—men's tailored clothing
- Leeds Travelwear—luggage and sport bags
- Cross Country Clothes—suits and sport coats

Rapid-American is also the corporate parent of McCrory Corporation, which operates more than 2,200 retail stores in four fields:

- Apparel Specialty Shops: Lerner
- Variety Stores: McCrory-McLellan-Green and J. J. Newberry
- Department Stores: S. Klein and Britts
- Automotive and Home Accessories Stores: Otasco

ANNUAL MEETING

The 1973 Annual Meeting of Stockholders of Rapid-American Corporation will be held at the Warwick Hotel, at 54th Street and Avenue of the Americas, New York City, on Wednesday, May 30, 1973 at 10:30 a.m.

DIRECTORS

ISIDORE A. BECKER*
HAIM BERNSTEIN
PAUL A. JOHNSTON
BERNARD KOBROVSKY
FRED KORROS
LEONARD C. LANE†
SAMUEL J. LEVY*
MESHULAM RIKLIS*
PINHAS RIKLIS
LORENCE A. SILVERBERG*
HARRY H. WACHTEL*

†Chairman of the Executive Committee
*Member of the Executive Committee

OFFICERS

MESHULAM RIKLIS
Chairman & Chief Executive

ISIDORE A. BECKER
President

LEONARD C. LANE
Executive Vice President

ANTHONY W. TRAPANI
Vice President and Treasurer

HAIM BERNSTEIN
Vice President

JOSEPH B. RUSSELL
Secretary

AUDITORS

Haskins & Sells
Two Broadway
New York, N.Y. 10004

CO-COUNSEL

Rubin Wachtel Baum & Levin
598 Madison Avenue
New York, N.Y. 10022

Fried, Frank, Harris, Shriver & Jacobson
120 Broadway
New York, N.Y. 10005

ANNUAL REPORT 1972

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HIGHLIGHTS

- Set records in sales and income before extraordinary items
- Disposed of interests in Panacon Corporation, Glen Alden's Textile Division and B.V.D.'s Retail Divison
- Brought J. J. Newberry Co. into Rapid-American family of companies
- Merged with Glen Alden Corporation
- Significantly reduced outstanding preferred shares and redeemable warrants
- Increased ownership of McCrory Corporation common stock to 63%
- Resumed payment of cash dividend —12½ cents per quarter

Note: Product names printed in *Italics* indicate trademarks or trade names

Meshulam Riklis
Chairman

TO OUR STOCKHOLDERS

Rapid-American in fiscal 1972 continued to make strong progress toward its major corporate goals—improved earnings, corporate simplification, debt management and a sound dividend program.

Income before extraordinary items was $29.8 million and bettered predictions made by management earlier in the year, while sales totaled $2.4 billion.

The company's key operations, namely those that contribute the major portion of earnings, continued to score excellent gains. There are five "stars": Schenley Industries, whose sales and income before extraordinary items on a continuing basis were up 8.7% and 19.5%; International Playtex, up 15.9% and 16.7%; Lerner Stores, up 13.5% and 26.7%; McCrory's variety store division (including, from September 1, 1972, the J. J. Newberry stores), up 51.5% and 21.9%; and McCrory's automotive and home accessories division, up 14.2% and 13.8%.

Our goal of corporate simplification moved forward on November 3, 1972 when the merger of Rapid-American with Glen Alden Corporation was effected.

Capital structure was also simplified as follows:

- Redeemed Glen Alden $2.25 Senior Preferred Stock.
- Reduced by 82% the outstanding shares of Class B Senior Cumulative Convertible ($3) Preferred Stock and by 93% the $3.15 Cumulative Convertible Preferred Stock.
- Purchased and cancelled 7 million Redeemable Common Stock Purchase Warrants.
- Purchased 1 million common shares of McCrory Corporation.

In addition, we believe that the acquisition of J. J. Newberry Co. and the restructuring of McCrory as a four-division organization which followed will have particular significance to the future of the company.

On April 11, 1973, McCrory and Lerner Stores announced an agreement in principle to merge. On the same date McCrory announced it plans to tender for its own outstanding common stock purchase warrants.

Further streamlining of Rapid-American's organizational structure took place with the sale during 1972 of Panacon Corporation, the retail division of B.V.D., and the textile division of Glen Alden.

While our policy about debt has often been stated, it still bears repetition. We believe in structuring debt so that it can be comfortably managed by current and projected earnings. In our judgment, our present debt structure more than adequately meets that criterion.

The Board of Directors, after considering management's projections for earnings gains, declared a quarterly cash dividend of 12½ cents per common share, which was paid on January 31, 1973. The company's dividend policy is under constant review by the board, and hopefully dividends will keep pace with earnings.

Although it is difficult to forecast accurately the direction of the general economy, our current estimate is that income before extraordinary items will increase at least 20% over 1972.

We look forward to a continuation of the fine support given to the company by its customers, employees, stockholders, banks and suppliers—they are the key to Rapid-American's success. To them, we express appreciation for their many contributions.

Sincerely,

Isidore A. Becker
President

Meshulam Riklis
Chairman

April 18, 1973

Isidore A. Becker
President

A PERSONAL NOTE

The message to stockholders in this annual report is the first in 15 years to carry a signature other than just mine. It gives me great pleasure to co-sign the message with Isidore A. Becker, who on November 20, 1972 became president of Rapid-American Corporation.

Most stockholders will recognize Mr. Becker as a member of the Board of Directors, which he joined in 1963, and as a vice president and chief financial officer since 1966. In 1968, Mr. Becker became chairman and chief executive of Schenley Industries when that company was brought into the Rapid-American group. In 1969, he was named vice chairman of our board, a position discontinued after his election as president.

All of us who have worked with Isidore A. Becker know him to be extremely able, totally dedicated to Rapid-American, and one who can be expected to make additional contributions to our growth and profitability.

FIVE-YEAR COMPARATIVE FINANCIAL DATA

EARNINGS:	1972*
Net Sales(1)	$2,404,307,000
Operating Income(1) (2)	150,698,000
Income Before Minority Interest and Extraordinary Items(1)	49,660,000
Income Before Extraordinary Items	29,832,000
Per Share—**Fully Diluted:**	
Income Before Extraordinary Items	2.33
Extraordinary Items	(.34)
Net Income (After Extraordinary Items and Minority Interest)	1.99

FINANCIAL POSITION:	
Current Assets	$1,000,209,000
Current Liabilities	399,312,000
Working Capital	600,897,000
Total Assets	1,687,179,000
Stockholders' Equity	286,848,000

RATIOS:	
Current	2.5
Working Capital to Current Maturities of Long-term and Convertible Debt	52.5
Debt to Equity(3)	2.6
Book Value Per Share of Common Stock	$28.55

NOTES:

Fiscal year ends January 31 of the following year.

(1) From continuing operations.

(2) Excludes other income, interest and debt expense, Federal and foreign income taxes, minority interest and extraordinary items.

(3) Debt comprises long-term and convertible debt less current maturities. Equity comprises stockholders' equity and minority interest.

Certain amounts for the four years ended January 31, 1972 are restated.

This information should be read in conjunction with the financial statements and data appearing in this report.

1971*	1970*	1969*	1968*
$2,016,873,000	$1,928,450,000	$1,766,928,000	$ 891,695,000
126,282,000	118,367,000	108,836,000	46,298,000
35,853,000	23,149,000	25,834,000	18,173,000
23,112,000	14,919,000	20,033,000	7,959,000
1.75	**.83**	**1.41**	**1.08**
.23	(.25)	.09	.55
1.98	.58	1.50	1.63
$ 950,634,000	$ 951,602,000	$ 947,466,000	$ 186,135,000
382,537,000	458,681,000	469,422,000	90,724,000
568,097,000	492,921,000	478,044,000	95,411,000
1,571,808,000	1,621,450,000	1,701,074,000	386,042,000
208,357,000	176,061,000	175,013,000	52,321,000
2.5	2.1	2.0	2.1
12.8	5.9	5.6	6.2
2.4	1.9	2.0	1.0
$26.49	$23.79	$23.73	$8.29

SCHENLEY INDUSTRIES

Schenley Industries, Inc. moved from fourth to third rank in the distilled spirits field on the crest of record sales in 1972.

The company's greatest growth occurred in the import area where it now ranks first in both the import and sales of foreign wines in the U.S. The company now represents 55 major European suppliers. Among the past year's notable achievements were:

- U.S. sales of *Dewar's "White Label"* Scotch increased to 2,400,000 cases;
- Schenley's share of the Canadian whiskey market expanded as *MacNaughton* and *Grande Canadian* registered strong gains;
- *Mateus* Rosé's number-one position among American wine imports was further enhanced by a sales increase of 300,000 cases;
- *Stock* Vermouth gained second place among imported vermouths in the U.S., while *Stock* Brandies and Cordials registered impressive sales gains.

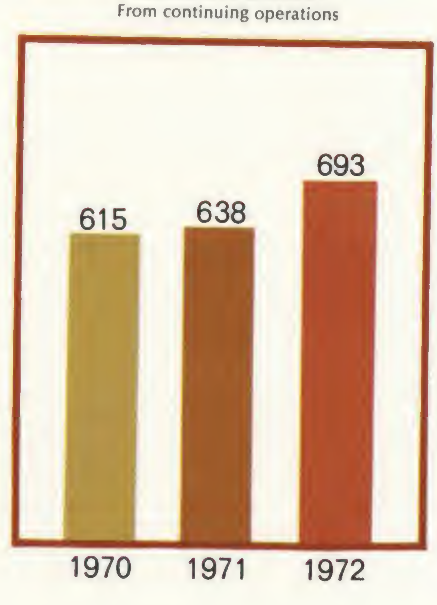
The company's domestically produced goods also made marked progress. A 1972 industry review of America's best-selling bourbons listed seven Schenley products among the top sellers—more than those of any other distiller.

Additionally, most of Schenley's brandies, cordials and "white goods" (gins and vodkas) achieved significant volume gains. *Schenley* Vodka, for example, finished the year 130,000 cases ahead of 1971's sales.

The Major Brand Names of Schenley

STRAIGHT BOURBONS:
Ancient Age, I. W. Harper, J. W. Dant, Old Charter
AMERICAN WHISKEY:
Schenley Reserve
SCOTCH WHISKIES:
Ancestor, Dewar's "White Label", Peter Dawson "Special"
CANADIAN WHISKIES:
Grande Canadian, MacNaughton, O.F.C.
TENNESSEE WHISKY:
George Dickel
BRANDIES:
Coronet VSQ, Otard Cognac (France), *Stock '84* (Italy), *Cambas* (Greece)
VODKAS:
Samovar, Schenley
GINS:
Plymouth (England), *Schenley Dry*
RUMS:
Carioca (Puerto Rico), *Cruzan* (Virgin Islands)
TEQUILA:
Olé (Mexico)
LIQUEURS AND CORDIALS:
J.W. Dant, DuBouchett Many Blanc, Stock (Italy), *Strega* (Italy), *Aurum* (Italy), *Cusenier* (France), *Gallwey's Irish Coffee* (Ireland), *Cambas* (Greece)
APERITIFS AND VERMOUTHS:
Dubonnet Red and Blonde, *Lillet* (France), *Stock* Dry and Sweet Vermouth (Italy)
WINES:
Africa: *Aït Mogai, Moghrabi, Okapi*
Denmark: *Bandor, Akiva*
France: *Krug* (Champagne); *Schroder & Schyler, Chateau Latour, Maison Bichot* (Bordeaux); *F. E. Hugel et Fils* (Alsace); *Domaine Comte George de Vogue, Domaine Joseph Drouhin, Domaine J. Faiveley* (Burgundy); *Ladoucette "Chateau du Nozet"* (Loire); *Ackerman Laurance* (Loire Valley); *Delas Freres* (Rhone)
Germany: *Carl Graff, P. J. Valckenberg, Guntrum*
Greece: *Cambas*
Italy: *Fratelli Lambrusco, Negrar, Verrazzano, Rivera*
Portugal: *Mateus Rosé, Casal Garcia "Vinho Verde", Grão Vasco*
Spain: *Cruz Garcia Real* Sangria, *Siglo, Age*
Switzerland: *Neuchatel*

NET SALES
Millions of Dollars
From continuing operations



GOLD MEDAL
I.W.HARPER
OLD CHARTER
STOCK
CAMBAS
Schenley
Schenley
O.F.C.
White Label
DUBONNET
Coronet
VSQ
Brandy
Dickel
TENNESSEE
LILLET
EXTRA DRY
ENGLISH GIN

PLAYTEX

International Playtex Corporation, one of Rapid-American's major operating companies, registered record sales and earnings during 1972.

The company's largest division, Domestic Girdle and Bra, saw its *"I-Can't-Believe-It's-A-Girdle"* girdle, introduced in late 1971, achieve second rank—behind only the Playtex *"18-Hour-Girdle."*

The company's *"No-Visible-Means-Of-Support Bra,"* introduced last May, scored an important sales breakthrough, and *Body Magic*, a light weight girdle positioned as a "cosmetic for the body" was introduced nationally in January of 1973 after a year and a half of successful test marketing.

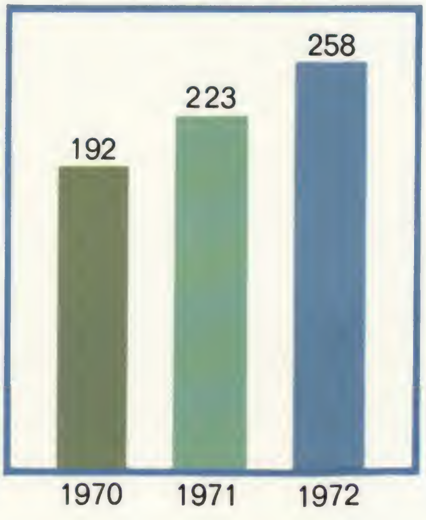
In the Family Products Division, *Playtex* Tampons now rank as the country's number two brand, with its growth rate continuing to increase. The *Playtex* Deodorant Tampons, introduced nationally in March 1972, now account for more than half of the brand's volume. Another important domestic development was completion of a successful 1972 test of the Playtex *"Slim-'n-Trim"* swimsuit, which has now been sold nationally for the 1973 season.

In 1972, Playtex spent over $20,000,000 for advertising in the U.S. It plans to continue consumer product promotions with a vigorous advertising effort during 1973.

To accommodate its continuing growth, Playtex built a new sewing plant in Piedmont, Alabama, expanded facilities in Newnan, Georgia, made major additions to distribution facilities in Dover, Delaware, and began sewing operations in a pilot plant in Barbados.

The International Division, which accounts for about one-third of Playtex sales and profits, grew at a faster rate than the company as a whole.

NET SALES
Millions of Dollars



The Major Brand Names of Playtex

Cross Your Heart Bras
Living Bras
18 Hour Bras and Girdles
Free Spirit Bras and Girdles
Playtex Padded Bras
No Visible Means of Support Bras
Double Diamonds Girdles
I Can't Believe It's a Girdle Girdles
Body Magic Girdles
Playtex Living Gloves
Playtex Handsaver Gloves
Playtex Baby Nursers
Playtex Baby Pants
Tek Toothbrushes
Playtex Tampons
Playtex Swim Caps
Slim-'n-Trim Swimsuits

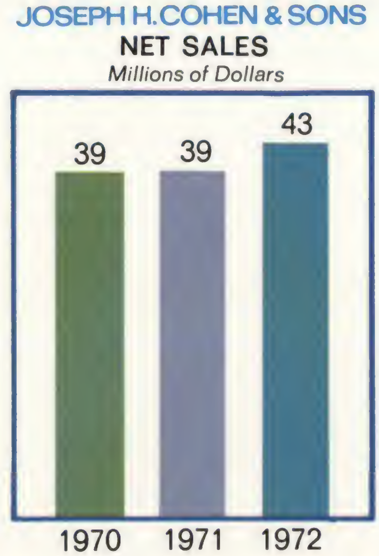

Cross Your Heart
Free Spirit
Living
I can't believe it's a girdle

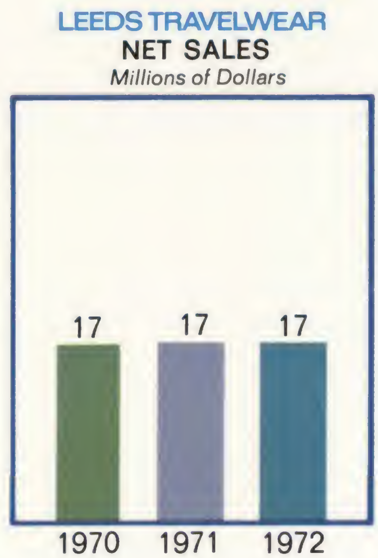

playtex
BABY NURSER
NEW
Playtex
LIVING GLOVES
Playtex Children's Swim Caps
playtex
tampons

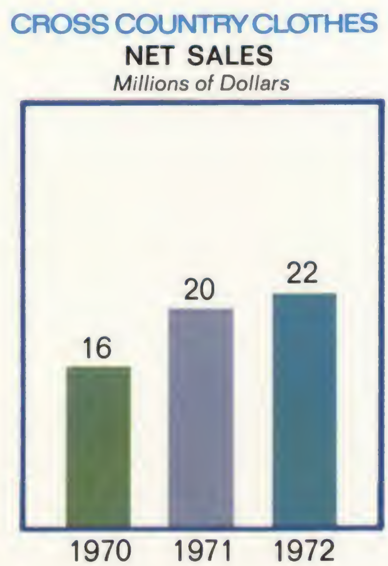
JOSEPH H. COHEN & SONS

Joseph H. Cohen & Sons increased sales and income during 1972 and broadened distribution of its men's tailored clothing through the addition of important new accounts to its roster of distinguished customers.

Joseph H. Cohen & Sons also made broader use of a sophisticated cut-planning system during the year. Employing new computer technology, the system maximizes the efficient utilization of facilities and materials. It was tested exhaustively and became fully operational in 1972.







CROSS COUNTRY CLOTHES

Cross Country Clothes, a leading manufacturer of popular-priced men's wear, enjoyed another successful year during 1972 with a strong advance in sales and improved income.

Cross Country is noted for the quality production of men's suits which retail in the $85-$95 range, and for sport coats which sell for $50-$65. The company is highly regarded for its innovations in both design and fabrics, and maintains a strong reputation for consistent delivery and outstanding service among the country's major chain stores, which are its principal customers.

During 1972, the company strengthened its position as a leading producer of popular-priced men's double-knits.

LEEDS TRAVELWEAR

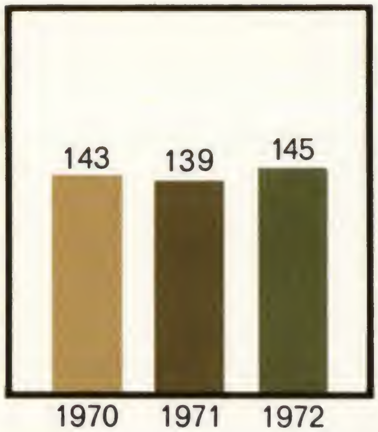
Leeds Travelwear, one of America's principal producers and distributors of sport bags and luggage, is trying to win a larger share of the luggage market with innovative products which combine utility with beauty.

Leeds is exploring the potential of polyurethane and expanded vinyl with nylon backing to create lighter, more durable luggage.

During 1973, the company will further emphasize the casual look, which is now the industry's dominant fashion influence.

B.V.D.

NET SALES
Millions of Dollars
From continuing operations



Both sales and earnings of the B.V.D. Company registered increases during 1972. The company, world renowned as a maker of men's and boys' clothing and furnishings, also a producer of children's and infants' wear, women's lingerie, sleepwear and undergarments, and rainwear for both men and women, continued to enjoy improved operational performance.

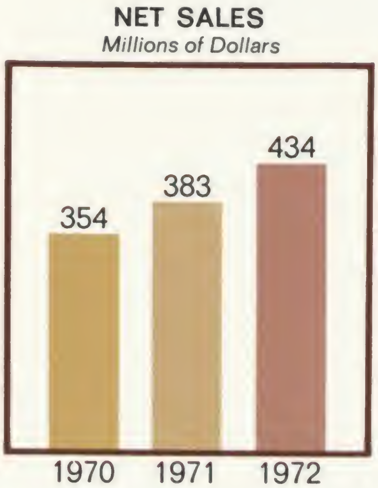
The conservative trend in men's fashion, begun during 1972 and expected to continue in 1973, fits well with B.V.D.'s capacity to produce both traditional and classically styled apparel.

To employ its improved efficiency to full advantage, the company is strengthening its sales forces and developing new merchandising concepts.

In the B.V.D. Division (shirts and underwear), the advent of more fashionable men's underwear is expected to benefit the company.

Last year the division united its shirt-making ability with considerable knitting expertise to develop informal knit-shirt styles for the growing sportwear market.

The Major Brand Names of B.V.D.
B.V.D. Underwear, Shirts, and Slacks, *Almar* Rainwear, *Dolphin* Rainwear, *Anvil* Slacks, *Lady Anvil* Slacks, *Beau Brummel* Ties, *Mr. John* Ties, *Fawn* Infants' Wear, *Rockingham* Clothes, *Donzini* Clothes, *Meadow* Sportswear, *Wonderknit* Knit Shirts and Sweaters, *Botany* Boys' Knit Shirts and Sweaters, *Manfredo* Shirts



LERNER SHOPS

Lerner Shops, the McCrory Apparel Specialty Division, set record sales and earnings in fiscal 1972.

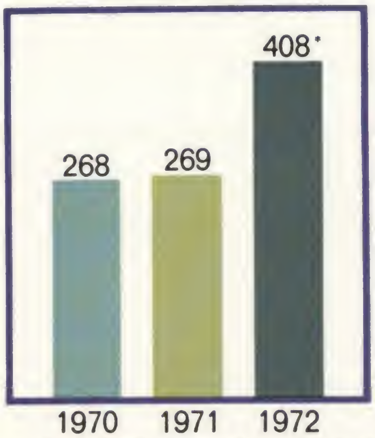
During the year, Lerner Shops opened 13 new units in regional, closed-mall shopping centers, modernized 38 others, and closed 11 stores. At year's end, there were 428 Lerner Shops doing business in 39 states, Washington, D.C. and Puerto Rico.

Plans for 1973 include the opening of 22 to 24 Lerner Shops— with primary emphasis continuing in major suburban shopping centers.

The company throughout the years has maintained a strong reputation for fashion, quality and price. The system which supports this successful enterprise includes the positioning of efficient branch offices and distribution centers throughout the country.

McCRORY-McLELLAN-H.L. GREEN-J.J. NEWBERRY

NET SALES
Millions of Dollars



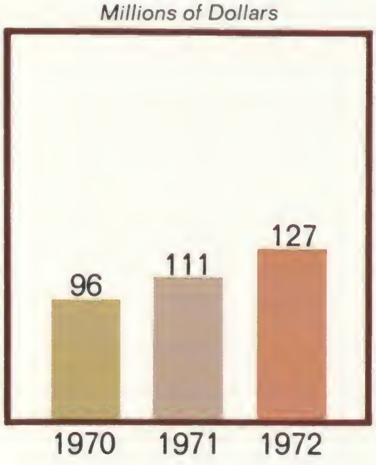
*includes J. J. Newberry stores from September 1, 1972

The Variety Store Division of McCrory enjoyed improved sales and earnings during 1972. The division, composed of stores bearing the McCrory, McLellan and H. L. Green names, was augmented in late 1972 by acquisition of the J. J. Newberry chain.

The division, which now has a total of 1,069 retail outlets, was re-organized during the year into six store operating companies, separate buying groups and divisional support functions. Each store operating company covers a region of the United States.

During 1972, the Variety Store Division opened 19 new stores and closed 17 old or unprofitable units. The store improvement program is a continuing one and proceeds in tandem with an effort to locate advantageous new sites, with special emphasis on regional shopping centers.

NET SALES
Millions of Dollars



OTASCO

The Automotive and Home Accessories Division of McCrory enjoyed improved sales and earnings during 1972, while maintaining a brisk pace of expansion.

In 1972, the division—which operates primarily in the south and southwest—opened 27 new stores, bringing the total number of company-owned and dealer franchised units to 567. In addition, 29 stores were remodeled or relocated during the year. In 1973, Otasco plans to open 35 new stores and has 30 stores scheduled for modernization.

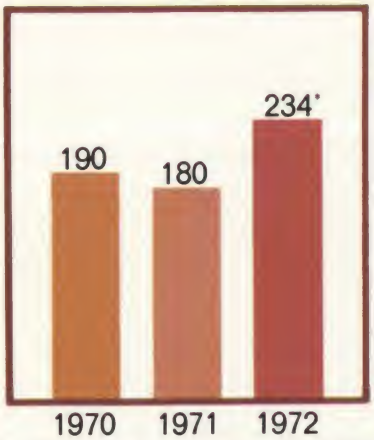
The burgeoning auto population has led the division to emphasize more heavily the sale and installation of such replacement parts as mufflers, shock absorbers, batteries, tires and tune-up kits.

Similarly, home-building activity has contributed to Otasco's growth by stimulating the sale of home appliances and fixtures.

A third major area of growth has been the outdoor recreational market. Otasco specializes in sporting goods, camping and hunting equipment.

S. KLEIN AND BRITTS

NET SALES
Millions of Dollars



*Includes Britts stores from September 1, 1972

Four new retail units were opened during 1972 by McCrory's Department Store Division. S. Klein introduced three new stores, raising its total to 19 full-line promotional units in the Middle Atlantic States. Britts, which operates 37 units, opened one store in West Ft. Lauderdale, Fla.

The three S. Klein units include two 90,000 square-foot stores in suburban Philadelphia and a new 150,000 square-foot unit in East Brunswick, N.J. This latter store incorporates an entire new generation of systems and store fixtures pioneered by the S. Klein organization to maximize selling area and reduce the costs of handling merchandise.

The new Britts store in West Ft. Lauderdale is located in an area of growing retailing importance. It features the popular-priced fashion apparel upon which Britts Stores has established a nationwide reputation.

Management of the Department Store Division is currently seeking new sites for each type of store within the group, and expects new store openings during 1973-74.

rapid-american corporation

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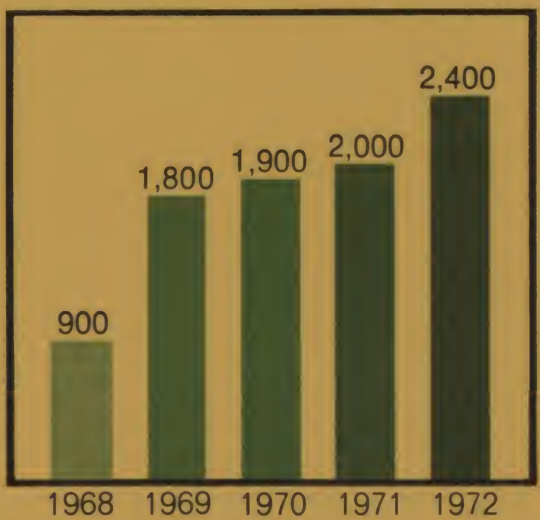
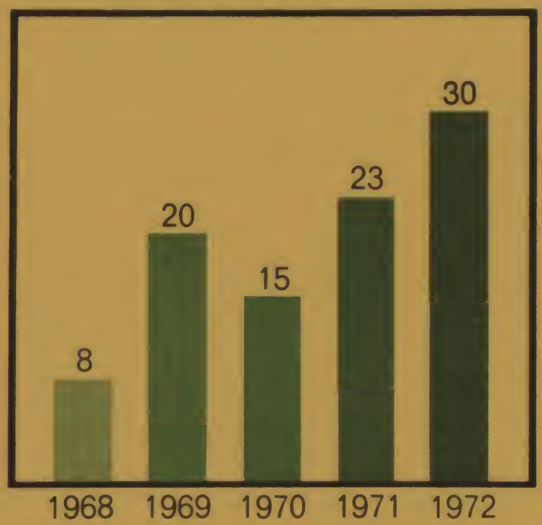
FINANCIAL STATEMENTS 1972

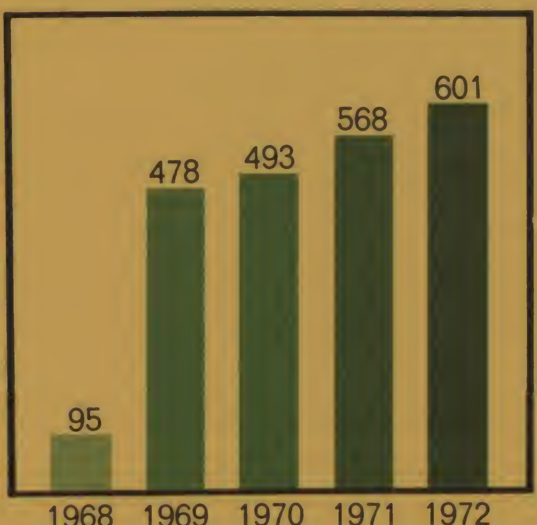
NET SALES
Millions of Dollars
From continuing operations



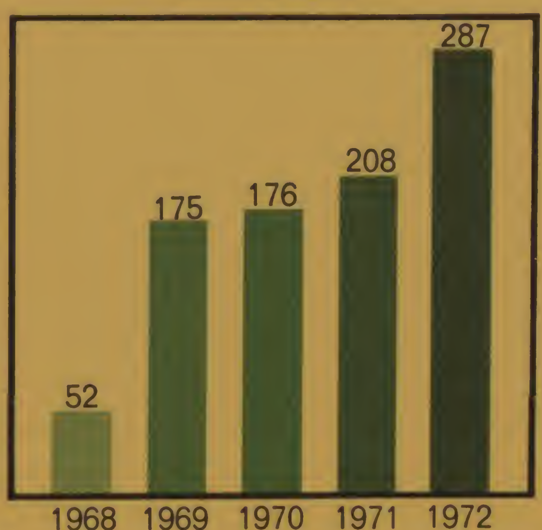
INCOME BEFORE EXTRAORDINARY ITEMS
Millions of Dollars



WORKING CAPITAL
Millions of Dollars



STOCKHOLDERS' EQUITY
Millions of Dollars



Fiscal year ends January 31 of the following year.

STATEMENTS OF CONSOLIDATED INCOME

	Year Ended January 31, 1973	1972
Revenues:		
Net sales	$2,404,307,000	$2,016,873,000
Other—net	10,061,000	8,573,000
	2,414,368,000	2,025,446,000
Costs and Expenses:		
Cost of goods sold	1,740,347,000	1,465,465,000
Selling, advertising, general and administrative expenses	491,544,000	404,934,000
Interest and debt expense	77,299,000	72,373,000
Depreciation and amortization	21,718,000	20,192,000
Federal and foreign income taxes	33,800,000	26,629,000
	2,364,708,000	1,989,593,000
Income From Continuing Operations Before Minority Interest and Extraordinary Items	49,660,000	35,853,000
Minority interest in continuing operations	21,544,000	19,769,000
Income From Continuing Operations Before Extraordinary Items	28,116,000	16,084,000
Income from operations discontinued, sold or to be sold	1,716,000	7,028,000
Income Before Extraordinary Items	**29,832,000**	**23,112,000**
Extraordinary items	(8,365,000)	2,463,000
Net Income	21,467,000	25,575,000
Consolidated preferred dividend requirements	3,253,000	4,270,000
Net Income Applicable to Common Stockholders	$ 18,214,000	$ 21,305,000
EARNINGS PER SHARE OF COMMON STOCK:		
Primary:		
Income before extraordinary items:		
From continuing operations	$3.13	$1.68
From operations discontinued, sold or to be sold	.20	1.04
Total	**3.33**	**2.72**
Extraordinary items	(.97)	.36
Net Income	$2.36	$3.08
Fully Diluted:		
Income before extraordinary items:		
From continuing operations	$2.23	$1.06
From operations discontinued, sold or to be sold	.10	.69
Total	**2.33**	**1.75**
Extraordinary items	(.34)	.23
Net Income	$1.99	$1.98

See Schedules and Notes to Financial Statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	January 31, 1973	1972
Current Assets:		
Cash, including certificates of deposit ($56,173,000 and $42,816,000)	$ 144,258,000	$ 134,649,000
Marketable securities, at cost which approximates market	—	16,435,000
Trade receivables, less allowances ($6,281,000 and $7,970,000)	172,637,000	197,941,000
Inventories	644,285,000	559,742,000
Other receivables, prepaid expenses, etc.	39,029,000	41,867,000
	1,000,209,000	**950,634,000**
Investments and Advances:		
Long John International Limited, at equity	21,177,000	20,210,000
McCrory Credit Corporation, at equity	14,369,000	12,858,000
Other investments, etc., substantially at cost	7,700,000	25,807,000
	43,246,000	**58,875,000**
Property, Plant and Equipment	551,942,000	576,788,000
Less accumulated depreciation and amortization	306,718,000	302,866,000
	245,224,000	**273,922,000**
Other Assets:		
Excess of cost of investments over related equities	294,136,000	193,479,000
Franchises	49,874,000	50,000,000
Deferred charges	11,842,000	13,537,000
Deferred stock bonus expense	2,247,000	3,720,000
Mortgages and sundry	40,401,000	27,641,000
	398,500,000	**288,377,000**
	$1,687,179,000	**$1,571,808,000**

See Schedules and Notes to Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	January 31, 1973	1972
Current Liabilities:		
Short-term debt	$ 65,832,000	$ 98,723,000
Current maturities of long-term and convertible debt	11,457,000	44,281,000
Accounts payable	147,747,000	92,109,000
Accrued expenses and sundry	128,802,000	116,541,000
Accrued Federal and foreign income taxes	45,474,000	30,883,000
	399,312,000	**382,537,000**
Long-term Debt, less current maturities and unamortized debt discount	**824,830,000**	**712,602,000**
Deferred Federal and Foreign Income Taxes	**17,820,000**	**37,893,000**
Other Non-Current Liabilities	**58,091,000**	**62,329,000**
Minority Interest in Subsidiaries	**86,768,000**	**144,191,000**
Convertible Debt, less current maturities and unamortized debt discount	**13,510,000**	**23,899,000**
Stockholders' Equity:		
Preferred and preference stocks	10,306,000	795,000
Common stock, $1 par value, authorized (1973) 50,000,000 shares and (1972) 20,000,000 shares, issued (1973) 8,952,777 shares and (1972) 7,292,420 shares, less treasury stock (1973) 77,684 shares and (1972) 101,554 shares	8,875,000	7,191,000
Additional paid-in capital	282,527,000	249,283,000
Retained earnings	50,868,000	40,763,000
Preference stock in treasury at cost, equity in subsidiaries' cost of their treasury stock and subsidiary's cost of investment in Rapid-American Corporation common stock (less par value) and warrants	(65,728,000)	(89,675,000)
	286,848,000	**208,357,000**
	$1,687,179,000	**$1,571,808,000**

See Schedules and Notes to Financial Statements.

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

For the Two Years Ended January 31, 1973

	Preferred and Preference Stocks	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Securities*
Balance at February 1, 1971	**$ 799,000**	**$6,645,000**	**$207,506,000**	**$21,755,000**	**$(60,644,000)**
Net income				25,575,000	
Dividends on preferred stock				(896,000)	
Exercise of stock options	1,000	19,000	214,000		
Conversion of preferred stock	(5,000)	8,000	(3,000)		
Equity in certain transactions of subsidiaries			41,566,000	(5,671,000)	(52,720,000)
Issuance by subsidiary (at its cost) of investment in Rapid common stock and warrants		519,000			23,689,000
Balance at January 31, 1972	**795,000**	**7,191,000**	**249,283,000**	**40,763,000**	**(89,675,000)**
Net income				21,467,000	
Dividends:					
On preferred and preference stocks				(1,156,000)	
On common stock ($.125 per share)				(1,119,000)	
Exercise of stock options and warrants		50,000	206,000		
Conversion of preferred stocks	(16,000)	5,000	11,000		
Issuance and assumption of securities pursuant to the merger with Glen Alden	9,527,000	1,624,000	31,632,000		19,286,000
Operating results applicable to Glen Alden and subsidiaries for January 1973				(3,927,000)	
Other		5,000	407,000		
Equity in certain transactions of subsidiaries			988,000	(5,160,000)	4,661,000
Balance at January 31, 1973	**$10,306,000**	**$8,875,000**	**$282,527,000**	**$50,868,000**	**$(65,728,000)**

* Consists of equity in subsidiaries' cost of their treasury stock, subsidiary's cost of investment in Rapid common stock (less par value) and warrants and, in 1973, cost of Rapid's preference stock in treasury.

See Schedules and Notes to Financial Statements.

STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	Year Ended January 31, 1973	1972
Funds Provided:		
Operations:		
Income before extraordinary items	$ 29,832,000	$ 23,112,000
Charges not requiring current outlays:		
Depreciation and amortization (debt expense, excess cost, franchises, etc.)	34,480,000	36,607,000
Income applicable to minority interest (less dividends paid of $8,108,000 and $9,694,000)	14,259,000	14,503,000
Deferred income taxes	2,860,000	1,646,000
Amortization of stock bonus expense	1,569,000	1,236,000
Funds provided by operations, exclusive of extraordinary items	83,000,000	77,104,000
Funds (used by loss) provided by income from extraordinary items	(8,365,000)	2,463,000
Issuance and assumption of long-term debt	236,238,000	167,895,000
Issuance of Rapid securities in connection with Rapid-Glen Alden merger	107,902,000	—
Issuance of securities in connection with acquisition of Newberry	51,175,000	—
Businesses sold—net (exclusive of working capital of $62,469,000 and $14,186,000)	26,645,000	110,940,000
Decrease (increase) in other investments	18,107,000	(21,944,000)
Disposals of property, plant and equipment	5,105,000	13,638,000
Certain transactions of subsidiaries—net	4,983,000	13,108,000
Net non-current liabilities of Newberry acquired	1,394,000*	—
Other—net	161,000	1,262,000
Rapid common shares and warrants issued by a subsidiary	—	24,208,000
	526,345,000	388,674,000
Funds Applied:		
Reduction in long-term and convertible debt	229,339,000	110,480,000
Acquisition of minority interest of subsidiaries	161,331,000	98,024,000
Additions to property, plant and equipment	44,260,000	41,630,000
Decrease (increase) in other non-current liabilities and deferred income taxes	31,246,000	(18,977,000)
Acquisition by subsidiaries of their treasury shares	25,094,000	81,445,000
Cash dividends	2,275,000	896,000
	493,545,000	313,498,000
Increase in Working Capital	**$ 32,800,000**	**$ 75,176,000**
Increase (Decrease) in Working Capital by Components:		
Cash, including certificates of deposit	$ 9,609,000	$ 14,278,000
Marketable securities	(16,435,000)	2,302,000
Trade receivables, less allowances	(25,304,000)	(13,514,000)
Inventories	84,543,000	(10,682,000)
Other receivables, prepaid expenses, etc.	(2,838,000)	6,648,000
Short-term debt	32,891,000	51,242,000
Current maturities of long-term and convertible debt	32,824,000	39,610,000
Accounts payable	(55,638,000)	(3,039,000)
Accrued expenses and sundry	(12,261,000)	(7,657,000)
Accrued Federal and foreign income taxes	(14,591,000)	(4,012,000)
Increase in Working Capital	**$ 32,800,000**	**$ 75,176,000**

* Assets of $31,891,000 (principally property and equipment—$24,001,000) less liabilities of $33,285,000 (principally long-term debt—$14,695,000 and reserve for store closing programs—$12,576,000).

See Schedules and Notes to Financial Statements.

SCHEDULES OF INVENTORIES; PROPERTY, PLANT AND EQUIPMENT; AND PREFERRED AND PREFERENCE STOCKS

	January 31, 1973	1972
Inventories:		
At lower of cost or market:		
Principally first-in, first-out and average cost:		
Merchandise at stores, plants and warehouses	$102,911,000	$ 98,397,000
Work in process	36,036,000	32,148,000
Raw materials and supplies	60,168,000	72,179,000
Retail method—at stores and warehouses	166,556,000	96,758,000
At identified cost—merchandise in transit, at warehouses and at restaurants	35,967,000	18,519,000
At cost—whiskey, other spirits and wine:		
In bond	208,489,000	207,553,000
Tax paid	34,158,000	34,188,000
	$644,285,000	**$559,742,000**

	1973	1972
Property, Plant and Equipment—at cost:		
Land	$ 9,765,000	$ 9,174,000
Buildings, store properties, warehouses and leased facilities	111,987,000	140,765,000
Furniture, fixtures and leasehold improvements	329,580,000	248,514,000
Machinery and equipment	100,610,000	178,335,000
	$551,942,000	**$576,788,000**

Cumulative Convertible Preferred and Preference Stocks
At January 31, 1973:

	Class B Senior ($3) Preferred(a)	$3.15 Preferred(a)	Class C Preference(a)(b)	$2.25 Junior Preferred ($2 Par Value)
Number of shares:				
Authorized	2,172,995	1,300,000	67,341	397,777
Outstanding	123,280	6,663	17,313	396,486
Aggregate par or stated value	$ 6,702,000	$ 407,000	$ 2,404,000	$ 793,000
Aggregate liquidation preference(c)	$13,314,000	$ 733,000	$ 1,558,000	$17,842,000
Conversion rate per share	3.079 for 1(d)	3.463 for 1(d)	3.663 for 1(d)	3 for 1
Shares of common stock reserved for conversion of stock outstanding	379,579	23,073	63,417	1,189,458

(a) This issue results from the Rapid-Glen Alden merger and has no par value.

(b) Entitled to cumulative dividends at an annual rate of $3.15 per share.

(c) The excess ($23,141,000) over stated or par value imposes no restriction on retained earnings.

(d) At March 5, 1973, the conversion rates of the $3 preferred, the $3.15 preferred and the class C were adjusted to 3.269, 3.557 and 3.681, respectively.

See Notes to Financial Statements.

SCHEDULES OF LONG-TERM AND CONVERTIBLE DEBT

	Interest Rate Stated Percent	Interest Rate Effective Percent	January 31, 1973 Principal Amount	January 31, 1973 Current Maturities and Unamortized Debt Discount	January 31, 1973 Long-term Portion	January 31, 1972 Long-term Portion
Long-term Debt:						
Rapid(a):						
Notes and mortgages payable, due 1973 to 1996	2–8.1	2–8.1	$243,232,000	$ 5,492,000	$237,740,000	$244,377,000
Subordinated debentures, due 1994	7	9.3–9.9	118,043,000	31,235,000	86,808,000	39,452,000
Sinking fund subordinated debentures due 1985 and 1988	6–7.5	8–9.4	405,166,000	87,243,000	317,923,000	308,943,000
			766,441,000	123,970,000	642,471,000	592,772,000
McCrory:						
Notes and mortgages payable, due 1973 to 1981(b)	3.8–6	3.8–6	35,973,000	1,822,000	34,151,000	22,274,000
Sinking fund and/or subordinated debentures, due 1976 to 1997	5–10.5	5–11.3	178,404,000	30,196,000	148,208,000	97,556,000
			$980,818,000	**$155,988,000**	**$824,830,000**	**$712,602,000**
Convertible Debt:						
Rapid(a)-Subordinated debentures, due 1973 and 1977	5.8–7	5.8–7	$ 12,006,000	$ 3,000,000	$ 9,006,000(c)	$ 19,820,000
McCrory-Subordinated debentures, due 1992 and 1994	6.5	6.5–6.9	4,666,000	162,000	4,504,000	4,079,000
			$ 16,672,000	**$ 3,162,000**	**$ 13,510,000**	**$ 23,899,000**

Long-term and Convertible Debt Maturities at January 31, 1973 before deduction of unamortized debt discount:

Years Ending January 31,		Five Year Periods Ending January 31,	
1974	$ 11,457,000	1978	$140,575,000
1975	31,582,000	1983	233,644,000
1976	22,838,000	1988	210,894,000
1977	45,760,000	1993	239,515,000
1978	28,938,000	1998	172,862,000
	$140,575,000		$997,490,000

(a) Includes the parent company and its wholly-owned subsidiaries.

(b) Includes $20,300,000 of 90 day promissory notes to banks, renewable pursuant to a revolving credit agreement at each maturity to June 30, 1974. It is the intention to renew these notes to June 30, 1974.

(c) Convertible into Rapid common stock at $21.25 per share, subject to anti-dilution.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include all subsidiaries except McCrory Credit Corporation and Long John International Limited which are carried at equity and certain other subsidiaries whose assets and operations are not significant.

All financial data as of and for the year ended January 31, 1972 include Glen Alden Corporation and its consolidated subsidiaries' (including Schenley Industries, Inc., International Latex Corporation and The B.V.D. Company, Inc.) financial data as of and for their year ended December 31, 1971. As a result of the merger between Rapid and Glen Alden in November 1972, Glen Alden and its subsidiaries (except for certain foreign subsidiaries which remained on a year ending December 31) adopted Rapid's fiscal year ending January 31. Accordingly, the accompanying consolidated balance sheet as of January 31, 1973 includes data of Glen Alden and such subsidiaries as of January 31, 1973; the statement of consolidated income for the year ended January 31, 1973 includes their results of operations for the year ended December 31, 1972; and the statement of changes in consolidated financial position for the year ended January 31, 1973 includes their data for the period from January 1, 1972 to January 31, 1973. The loss from operations applicable to Glen Alden and such subsidiaries for the month of January 1973 has been charged directly to retained earnings.

The accounts of foreign subsidiaries have been translated at appropriate exchange rates and resulting gains or losses, which have not been material, have been reflected in income.

To facilitate comparisons with the current year, certain amounts in the prior year have been restated and reclassified.

Inventories

Inventories in bond, classified as current assets in accordance with the general practice of the industry, include whiskey and other spirits, which, in the normal course of business, will remain in storage to be aged for periods exceeding one year. It is not possible to state the amount of inventory which will be realized within one year. The inventories in bond are subject to payment of excise taxes upon removal from Government controlled premises.

Net sales and cost of goods sold for the years ended January 31, 1973 and 1972 include approximately $345,321,000 and $327,040,000, respectively, of Federal excise taxes, import duties and state liquor taxes.

Property, Plant and Equipment

Depreciation and amortization is generally provided for on the straight-line method over the estimated service lives of the properties.

Excess of Cost of Investments Over Related Equities and Franchises

The excess of cost of investments over related equities which arose prior to October 31, 1970, amounting to $166,652,000, has been recognized as being similar in nature to intangibles which have not declined in value since acquisition. In accordance with Accounting Research Bulletin 43, these excess costs are not amortized so long as there is no diminution in value of the related investments. Franchises consist of Schenley contracts to import whiskeys, liquors, and other distilled spirits, which have continuing value and accordingly are not being amortized, except for the portion acquired subsequent to October 31, 1970.

Pursuant to certain opinions of the Accounting Principles Board, the excess of cost of investments over related equities which arose subsequent to October 31, 1970, amounting to $127,484,000 (after accumulated amortization of $725,000), and the portion of franchises amounting to $15,820,000 (after accumulated amortization of $126,000) acquired from Glen Alden's minority interest subsequent to October 31, 1970 are being amortized on a straight-line basis over forty years.

Income Taxes

Investment tax credits for the years ended January 31,

1973 and 1972 in the amount of $1,784,000 and $1,126,000, respectively, were applied as a reduction of the provision for Federal income taxes.

Deferred income taxes for the years ended January 31, 1973 and 1972 in the amount of $2,860,000 and $1,897,000, respectively, have been provided for the tax effects of items reported in different periods for tax and financial reporting purposes.

The cumulative amount of undistributed earnings of subsidiaries on which Rapid or its subsidiaries may be required to recognize income taxes upon distribution amounted to approximately $124,000,000 at January 31, 1973. No provision has been made for taxes that would be payable upon distribution, because these earnings have been indefinitely reinvested.

McCRORY CREDIT CORPORATION

Rapid and its affiliates assign certain customers' accounts receivable to McCrory Credit Corporation, which remits 90% of the amount thereof. The companies accept reassignment of any accounts in default, as defined. The 10% equity of Rapid in assigned accounts (the uncollected balances of which amounted to $78,455,000 and $68,414,000 at January 31, 1973 and 1972, respectively) is included in trade receivables in the consolidated balance sheets. Collections in January (payable to McCrory Credit in February) from assigned customers' accounts (net of 10% equity) amounting to $22,237,000 and $19,386,000, respectively, have been deducted from trade receivables in the consolidated balance sheets. McCrory Credit's condensed consolidated balance sheet at January 31, 1973 is summarized below:

Accounts receivable, less unearned discount	$74,256,000	
Cash	11,362,000	
Other assets, less other liabilities	201,000	$85,819,000
Notes payable to banks	71,450,000	
Notes payable to McCrory and subsidiary	9,000,000	80,450,000
McCrory's equity		$ 5,369,000

Net income of McCrory Credit for the years ended January 31, 1973 and 1972 was $511,000 and $385,000, respectively. Rapid's equity therein is included in consolidated net income.

INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

McCrory Corporation—Rapid owned at January 31, 1973 and 1972, 3,151,339 shares and 2,151,339 shares (62.6% and 56.5%, respectively) of McCrory common stock outstanding. The increased shares and percentage of ownership in McCrory results from a cash tender offer at $32 per share made by Rapid which expired January 24, 1973 whereby Rapid acquired 1,000,000 shares of McCrory common stock. This transaction gave rise to $17,643,000 of excess of cost of investment over related equity.

J. J. Newberry Co.—In a cash tender offer completed in February 1972, Rapid acquired 49% of Newberry common stock at an aggregate cost of $22,060,000 and, for the seven months ended August 31, 1972, carried such investment at equity. On September 1, 1972, McCrory, in a transaction accounted for as a purchase, acquired all of Newberry's common stock, including Rapid's interest, for $63,716,000 principal amount of McCrory 7⅝% sinking fund subordinated debentures due in 1997 (including $28,500,000 received by Rapid and sold at no gain or loss) and 76,792 shares of McCrory common stock. The excess ($24,773,000) of the net assets acquired in the transaction over the aggregate cost ($51,175,000) was attributed to property accounts and is being amortized over their ten year remaining average useful life.

Net sales of Rapid and subsidiaries, assuming Newberry had been included for the years ended January 31, 1973 and 1972, would have been $2,618,927,000 and $2,428,726,000, respectively.

Glen Alden Corporation—At January 31, 1972 Rapid owned 13,061,716 shares (74.6%) of Glen Alden common stock outstanding. On November 3, 1972, Rapid was merged into Glen Alden and the name of the surviving corporation was changed to "Rapid-

American Corporation". In connection with the merger, which was accounted for as a purchase transaction in which Rapid was the acquiring corporation: (a) 1,624,086 shares of Rapid common stock and 4,640,248 Rapid redeemable common stock purchase warrants were issued; (b) $66,277,000 principal amount of Rapid 7% subordinated debentures (1972 issue) due in 1994 and $17,028,000 in cash were exchanged for substantially all of the shares of Glen Alden preferred stocks (other than Class C) and (c) the remaining Glen Alden preferred and preference stocks became preferred and preference stocks of Rapid (including 50,028 shares of Class C stock in treasury at a cost of $4,503,000). In addition, Rapid's equity ($23,789,000) in changes in Glen Alden's treasury stock was eliminated, and the Glen Alden common stock owned by Rapid prior to the merger and the 18,670 shares of Rapid common treasury stock were cancelled. The aggregate unallocated cost of such investment, amounting to $128,038,000, exceeded the equity in underlying net assets acquired from Glen Alden's minority interest by $90,297,000.

During the year 1971, Schenley sold (a) all the stock of The Buckingham Corporation for $120,000,000 in cash and notes, subject to reduction, and (b) certain assets connected with its California wine business for approximately $13,200,000. Rapid's equity in the gain from such sales, reduced by its equity in certain charges of Schenley, was credited to "Excess of cost of investments over related equities".

During June 1971, as a result of the merger of Schenley with a wholly-owned subsidiary of Glen Alden, Glen Alden increased its ownership in Schenley from 86% of Schenley common stock to all outstanding equity securities of Schenley, except its cumulative preference stock which was redeemed for $1,971,000 in February 1973.

LONG-TERM AND CONVERTIBLE DEBT

Agreements covering certain indebtedness of Rapid and its subsidiaries contain covenants concerning working capital position, additional indebtedness, restrictions on transactions in capital stock, limitations on payment of cash dividends on capital stock and certain other restrictions. At January 31, 1973 approximately $23,400,000 was available for the payment of cash dividends on, and for the purchase, redemption or retirement of, any shares of any class of capital stock.

COMMON STOCK AND WARRANTS

Rapid's 1964 qualified stock option plan authorizes the grant of options to purchase 200,000 shares of common stock at not less than 100% of fair market value on the dates of grant. Option data were as follows:

	Option Price Range	Number of Shares
Outstanding, February 1, 1972	$17.50-$24.50	21,100
Cancelled	$17.50-$24.50	5,100
Outstanding, January 31, 1973	$24.50	16,000
At January 31, 1973:		
Exercisable	$24.50	16,000
Available for grant	—	55,160

During the year ended January 31, 1972, options to purchase 18,950 shares were exercised at prices ranging from $8.17 to $12.75 and options for 1,945 shares were cancelled.

The former Glen Alden 1965 option plan, which was assumed by Rapid upon the effectiveness of the merger, authorized the grant of options to purchase common stock and warrants. Option data were as follows:

	Number of	
	Shares	Redeemable Warrants
Outstanding, November 3, 1972	238,646	681,850
Exercised	(262)	(750)
Cancelled	(4,894)	(13,938)
Outstanding, January 31, 1973	233,490	667,162
At January 31, 1973:		
Exercisable	149,742	427,835
Available for grant	171,721	490,633

Option prices range from $5.125 to $17.00.

Rapid does not intend to grant additional options under the 1964 or 1965 plans.

On January 24, 1973, Rapid adopted, subject to stockholder approval, a qualified stock option plan which provides for the grant of options to purchase 500,000 shares of common stock at not less than 100% of fair market value on the dates of grant. At January 31, 1973 no options had been granted under such plan.

On February 7, 1973, subject to stockholder approval, two non-qualified stock options for the purchase of an aggregate of 300,000 shares of common stock at a purchase price of $25.00 per share were granted to two officers.

At January 31, 1973, warrants entitling their holders to purchase shares of Rapid's common stock were outstanding as follows:

Expiration Date	Exercise Price	Number of Warrants
May 1976	$ 8.50	100,000
June 1976	5.00	50,000*
May 1994 (redeemable at $20)	35.00	10,956,338
		11,106,338

* Redeemed at $10 per warrant in February 1973.

At January 31, 1973 and 1972 McCrory owned 155,368 redeemable warrants (not included above) and 77,684 shares of Rapid's common stock, which have been included with treasury stock in the accompanying consolidated financial statements. During the year ended January 31, 1973, 750 redeemable warrants were issued pursuant to exercise of options (in addition to those issued in the Glen Alden merger) and 50,000 warrants (expiring in June 1976) were exercised. During the year ended January 31, 1972, McCrory, as a result of a tender offer for its own common stock, exchanged 1,038,748 Rapid redeemable warrants and 519,374 shares of Rapid common stock with McCrory stockholders other than Rapid.

At January 31, 1973 there were 140,295 shares of McCrory common stock reserved for conversion of McCrory preferred and preference stock and debentures, 338,579 shares reserved for issuance under stock option and bonus plans and 2,270,777 shares reserved for exercise of common stock purchase warrants outstanding.

PENSION AND RETIREMENT PLANS

Rapid and its subsidiaries have various contributory and non-contributory pension and retirement plans covering eligible employees. The provision for pension costs under the plans was $4,601,000 and $3,527,000 for the years ended January 31, 1973 and 1972, respectively. It is the general policy to fund pension cost accrued as required. As of January 31, 1973, the actuarially computed value of vested benefits under certain of the plans exceeded the total of the related pension funds and balance sheet accruals by approximately $3,000,000. Unfunded prior service cost amounted to approximately $20,700,000 at January 31, 1973, substantially all of which is being funded over various periods not exceeding thirty years.

OPERATIONS DISCONTINUED, SOLD OR TO BE SOLD

During the year ended January 31, 1973, Glen Alden sold its 89% interest in the equity securities of Panacon Corporation for $62,000,000 in cash and its textile division for $18,000,000 in cash and notes and BVD sold its retail division for $16,000,000 in cash and notes. In May 1971 Schenley sold all of the stock of The Buckingham Corporation. Accordingly, the net sales and related expenses applicable to such operations prior to their sale or discontinuance have been shown net in the statements of consolidated income. Net sales relating to operations discontinued, sold or to be sold for the years ended January 31, 1973 and 1972 were $113,215,000 and $328,353,000, respectively.

EXTRAORDINARY ITEMS

	Year Ended January 31, 1973	1972
Loss on the sale of Glen Alden's interest in Panacon, after Federal income tax provision of $6,391,000	$(4,468,000)	$ —
Loss on the sale of Glen Alden's textile division, net of Federal income tax benefit of $3,467,000	(6,166,000)	—
Provision for loss on investments and discontinuance and disposal of certain operating units and properties—net, after income tax benefit of $2,039,000 and provision of $153,000	(5,038,000)	(269,000)
Credit arising from utilization of net operating loss carry-overs	7,307,000	2,732,000
	$(8,365,000)	$2,463,000

EARNINGS PER SHARE OF COMMON STOCK

Primary earnings per share is based on the weighted average number of common shares outstanding during each year and gives effect to the assumed conversion of common stock equivalents. Rapid's equity in preferred dividend requirements of its consolidated subsidiaries ($2,284,000 and $3,375,000 for the years ended January 31, 1973 and 1972, respectively) have been deducted in determining net income applicable to common stockholders and primary income per share amounts.

Fully diluted earnings per share gives effect to the assumed conversion of dilutive convertible securities into common stock and to the assumed exercise of dilutive stock options and warrants with a portion of the proceeds therefrom applied to the purchase of common stock and the balance applied to reduce outstanding debt.

COMMITMENTS AND CONTINGENCIES

There are a number of lawsuits and claims, including antitrust actions, pending against Rapid and its subsidiaries together with other contingencies (including long-term leases on locations at which operations have been or may be discontinued). Management and counsel are of the opinion that the ultimate liability, if any, will not materially affect the consolidated financial position of Rapid and its subsidiaries. At January 31, 1973 the minimum annual rentals upon property leased to Rapid and its subsidiaries under leases expiring after January 1976 amount to approximately $75,000,000 plus, in certain instances, real estate taxes, insurance, etc.

At January 31, 1973 Rapid was guarantor of notes and other obligations or remained contingently liable under certain long-term leases on properties sold in the approximate amount of $150,000,000.

SUBSEQUENT EVENTS

On March 2, 1973 Rapid, through a cash tender offer at $6.50 per warrant, acquired 7,030,730 of its redeemable common stock purchase warrants.

On April 11, 1973, McCrory and Lerner Stores Corporation announced an agreement in principle to merge, subject to stockholder approval. The terms of agreement provide that (a) Lerner stockholders will receive, for each share of common stock, $50 principal amount of a new McCrory 25 year 7⅝% debenture plus $8 in cash; and (b) each Lerner warrant holder may exchange one warrant for $33 principal amount of the new McCrory debenture plus $5.60 in cash. In addition, McCrory announced that it would make a cash tender offer at $10 per warrant for its approximately 2,150,000 outstanding common stock purchase warrants.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

ACCOUNTANTS' OPINION

To The Board of Directors and Stockholders
of Rapid-American Corporation:

We have examined the consolidated financial statements of Rapid-American Corporation and subsidiaries for the years ended January 31, 1973 and 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries whose contribution to consolidated revenues (including revenues of operations discontinued, sold or to be sold) was approximately 18% and 17%, respectively, for the years ended January 31, 1973 and 1972. These statements were examined by other accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon such reports of the other accountants.

In our opinion, based upon our examination and the reports of other accountants, the accompanying consolidated balance sheets and statements of consolidated income, stockholders' equity and changes in financial position present fairly the financial position of Rapid-American Corporation and subsidiaries at January 31, 1973 and 1972 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

April 10, 1973
(Certain information in the "Subsequent events" note being as of a later date)

Haskins + Sells

PRINCIPAL PUBLICLY TRADED SECURITIES OF THE RAPID-AMERICAN FAMILY OF COMPANIES

Company	Security	Transfer Agent(s) or Trustee*	Stock Exchange Listing(s)	Outstanding** January 31, 1973
Rapid-American Corporation Symbol: **RPD**	Common Stock	Chemical Bank and The Fidelity Bank (Philadelphia, Pa.)	New York Cincinnati Pacific Coast	8,952,777
	Redeemable Warrants, expiring 1994	Chemical Bank	American Pacific Coast	11,111,706
	$2.25 Cumulative Convertible Junior Preferred Stock	Chemical Bank	New York	396,486
	Class B Senior Cumulative Convertible ($3) Preferred Stock	Marine Midland Bank—New York	New York	123,280
	5¾% Convertible Subordinated Debentures, due 1977	Sterling National Bank & Trust Company of New York	American	$ 9,005,640
	7½% Sinking Fund Subordinated Debentures, due 1985	Franklin National Bank	New York	$ 88,754,280
	6% Sinking Fund Subordinated Debentures, due 1988	Marine Midland Bank—New York	New York	$357,293,300
	7% Subordinated Debentures due 1994 (1969 & 1972 issues)	American Bank & Trust Company	New York	$118,042,564
McCrory Corporation Symbol: **MS**	Common Stock	Chemical Bank and First National Bank of Chicago (Chicago, Ill.)	New York Midwest Pacific Coast	5,034,939
	Warrants, expiring 1976	Chemical Bank	American Pacific Coast	201,111
	Warrants, expiring 1981	Chemical Bank	American Pacific Coast	1,946,842
	5½% Sinking Fund Subordinated Debentures, due 1976	Bankers Trust Company	New York	$ 11,356,880
	5% Junior Sinking Fund Subordinated Debentures, due 1981	Sterling National Bank & Trust Company of New York	New York	$ 11,810,450
	10½% Sinking Fund Subordinated Debentures, due 1985	First National City Bank	New York	$ 11,830,760
	6½% Convertible Subordinated Debentures, due 1992	United States Trust Company of New York	New York	$ 3,381,067
	7½% Sinking Fund Subordinated Debentures, due 1994 (1969 & 1971 issues)	Marine Midland Bank—New York	New York	$ 70,387,500
	7⅝% Sinking Fund Subordinated Debentures, due 1997	Franklin National Bank	New York	$ 63,715,510
Lerner Stores Corporation Symbol: **LER**	Common Stock	Manufacturers Hanover Trust Company	American	4,267,727
	Warrants, expiring 1982	Manufacturers Hanover Trust Company	American	888,743
	6½% Sinking Fund Subordinated Debentures, due 1982	Manufacturers Hanover Trust Company	American	$ 9,122,595

*All located in New York City except where otherwise indicated.
**In some instances includes amounts owned by members of the Rapid-American Family of Companies.

rapid-american corporation

ANNUAL REPORT 1972

OFFICES AND PLANTS

Schenley Industries, Inc.
Executive Offices:
888 Seventh Avenue, New York, New York

Domestic
Plants:
Fresno, California
Peoria, Illinois
Lawrenceburg, Indiana
Frankfort, Kentucky
Louisville, Kentucky
Lexington, Kentucky
Bardstown, Kentucky
Monroe, Louisiana
Schenley, Pennsylvania
Tullahoma, Tennessee
Palo Seco, Puerto Rico
Frederiksted, Virgin Islands

International
Plants:
Valleyfield, Quebec, Canada
North Vancouver, British Columbia, Canada
Santiago, Chile
Black Friars, Plymouth, England
Strathclyde Distillery, Glasgow, Scotland
Kinclaith Distillery, Glasgow, Scotland
Glenugie Distillery, Peterhead, Scotland
Tormore Distillery, Grantown-on-Spey, Scotland
Laphroaig Distillery, Isle of Islay, Scotland
Westthorn, Glasgow, Scotland

Offices:
Brussels, Belgium
Montreal, Canada
London, England
Tokyo, Japan

Cross Country Clothes
Executive Offices:
39 West 21st Street
Northampton, Pennsylvania

Sales Office:
1290 Avenue of the Americas
New York, New York

Plants:
Egypt, Pennsylvania
Northampton, Pennsylvania
Philadelphia, Pennsylvania

International Playtex Corporation
Executive Offices:
888 Seventh Avenue, New York, New York

Domestic
Plants:
LaFayette, Alabama
Piedmont, Alabama
Dover, Delaware
LaGrange, Georgia
Manchester, Georgia
Newnan, Georgia
Watervliet, New York
Barceloneta, Puerto Rico
Corozal, Puerto Rico
Dorado, Puerto Rico
Manati, Puerto Rico

Distribution Centers:
City of Industry, California
Dover, Delaware

Design Center:
Paramus, New Jersey

International
Plants:
Northmead, New South Wales, Australia
St. Michael, Barbados, British West Indies
Arnprior, Ontario, Canada
Latour du Pin, France
Epinal, France
Alzey, West Germany
Ennis, Ireland
Pomezia, Italy
Mexico City, Mexico
Johnstone, Scotland
Port Glasgow, Scotland
Durban, Natal, Republic of South Africa
Barcelona, Spain

Offices:
Wentworthville, Australia
Malton, Canada
Copenhagen, Denmark
London, England
Paris, France
Eschborn, West Germany
Amsterdam, Holland
Rome, Italy
Mexico City, Mexico
Johannesburg, Republic of South Africa
Madrid, Spain

Joseph H. Cohen & Sons
Executive Offices:
1290 Avenue of the Americas
New York, New York

Plants:
New Haven, Indiana
Painesville, Ohio
Geneva, Ohio
Philadelphia, Pennsylvania

Leeds Travelwear, Inc.
Executive Offices:
295 Fifth Avenue, New York, New York

Domestic
Plants:
Jasper, Alabama
Clayton, Delaware

International
Plant:
Kfar Sava, Israel

The B.V.D. Company, Inc.
Executive Offices:
888 Seventh Avenue, New York, New York

Plants:
Winslow, Arizona
Braselton, Georgia
Tignall, Georgia
Washington, Georgia
Okolona, Mississippi
Candor, North Carolina
Chadbourn, North Carolina
Greensboro, North Carolina
Hamlet, North Carolina
High Point, North Carolina
Kings Mountain, North Carolina
Mocksville, North Carolina
Monroe, North Carolina
Mt. Gilead, North Carolina
Cincinnati, Ohio
Clinton, South Carolina
Clio, South Carolina
Mullins, South Carolina
Cleveland, Tennessee
Livingston, Tennessee
Galax, Virginia
Henrico County, Virginia
Independence, Virginia
Arecibo, Puerto Rico
Caguas, Puerto Rico
Las Marias, Puerto Rico
Ponce, Puerto Rico

McCrory Corporation
Executive Offices:
360 Park Avenue South, New York, New York

Apparel Specialty Division
Executive Offices:
460 West 33rd Street, New York, New York

Variety Stores Division
Executive Offices:
2955 East Market Street, York, Pennsylvania

Automotive and Home Accessories Division
Executive Offices:
11333 East Pine Street, Tulsa, Oklahoma

Department Store Division
Executive Offices:
360 Park Avenue South, New York, New York

rapid-american corporation

Executive Offices: 711 Fifth Ave., New York, N.Y. 10022

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